



**Mandeni Municipality
Annual Financial Statements
for the year ended 30 June, 2012**

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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GENERAL INFORMATION

MEMBERS OF EXECUTIVE COUNCIL

Mayor and Chairman of the Executive Committee	Cllr LNP Shabalala
Deputy Mayor	Cllr PM Sishi
Speaker (Ex-Officio)	Cllr GC Mfekayi
Members of the Executive Committee	Cllr BL Magwaza
	Cllr MS Mdunge
	Cllr S Ndlovu
	Cllr SB Zulu

Other councillors

Cllr EL Dube
Cllr EK Dube
Cllr HM Gumede
Cllr P Gumede
Cllr NE Hlabisa
Cllr BA Khumalo
Cllr CT Kumalo
Cllr NP Masondo
Cllr GPS Mathonsi
Cllr XH Mathonsi
Cllr LR Mbonambi
Cllr K Naidoo
Cllr LR Mdletshe
Cllr X Mdlethe
Cllr SS Mdunge
Cllr ZM Mhlongo
Cllr JM Mkhize
Cllr BP Mngadi
Cllr N Msimango
Cllr NS Msomi
Cllr N Reddy
Cllr CZ Ngcobo
Cllr BW Ngiba
Cllr NF Ntuli
Cllr JS Zibani
Cllr MM Ziqubu
Cllr GN Zungu

Senior management

LH Mapholoba - Municipal Manager
RN Hlongwa - Chief Financial Officer
NG Khumalo - Director: Corporate Services
R Sewdular - Director: Technical Services

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GENERAL INFORMATION

Auditors	Auditor-General
Bankers	First National Bank
Registered office	Mandeni Municipal Office 02 Kingfisher Road Mandeni 4490
Business address	02 Kingfisher Road Mandeni 4490
Postal address	P O Box 144 Mandeni 4490
Legal form of entity	Local municipality
Nature of business and principal activities	Service delivery
Accounting Officer	Mr LH Mapholoba
Telephone number	032 - 456 8200
Fax number	032 - 456 2504
Email address	info@mandeni.gov.za
Grading	3
Jurisdiction	Mandeni Boundary (as determined by the Demarcation Board)

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 66, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in the Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Coporative Governance of traditional affairs' determination in accordance in accordance with this Act.

Mr LH Mapholoba
Municipal Manager

Mandeni
31 August, 2012

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STATEMENT OF FINANCIAL POSITION

	Note(s)	2012 R	2011 R
ASSETS			
Current Assets			
Call investments deposits	3	60,241,721	34,971,949
Cash and cash equivalents	4	2,947,973	803,188
Receivables from exchange transactions	5	5,458,151	1,660,739
Receivables from non-exchange transactions	6	6,206,435	3,513,971
Inventories	7	371,129	315,006
VAT receivable	13	1,499,013	1,519,531
		76,724,422	42,784,384
Non-Current Assets			
Investment property	8	23,210,509	23,210,509
Property, plant and equipment	9	223,606,979	198,038,634
Intangible assets	10	73,206	80,465
		246,890,694	221,329,608
Total Assets		323,615,116	264,113,992
LIABILITIES			
Current Liabilities			
Creditors	11	3,005,864	7,453,380
Deposits	12	1,234,283	1,180,287
Provisions	14	2,299,583	2,152,460
Unspent conditional grants and receipts	16	10,437,247	292,386
Current portion of long term liabilities	17	-	100,314
		16,976,977	11,178,827
Non-Current Liabilities			
Non-current portion of long term liabilities	17	-	34,185
Employee benefit obligations	15	10,219,843	6,084,695
		10,219,843	6,118,880
Total Liabilities		27,196,820	17,297,707
Net Assets		296,418,296	246,816,285
NET ASSETS			
Reserves			
Housing operating account		1,626,901	1,572,968
Accumulated surplus		294,791,395	245,243,317
Total Net Assets		296,418,296	246,816,285

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STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2012 R	2011 R
Revenue			
Property rates	21	20,866,449	20,451,224
Property rates - penalties imposed and collection charges		352,549	392,998
Service charges	22	15,984,020	13,354,630
Rental of facilities and equipment	23	203,795	186,623
Interest received - external investment	24	2,282,713	2,001,559
Fines		90,599	451,559
Licences and permits		1,566	1,191,138
Government grants & subsidies	25	97,587,456	102,339,356
Debt impairment - Reversal		13,518,254	-
Other income	26	5,809,982	6,420,860
Total Revenue		156,697,383	146,789,947
Expenditure			
Employee related costs	27	(30,010,057)	(27,350,741)
Remuneration of councillors	28	(7,522,755)	(6,211,185)
Retirement benefit contributions		(4,135,148)	(945,986)
Depreciation and amortisation	29	(15,360,051)	(17,505,618)
Finance costs	30	(14,263)	(43,137)
Debt impairment		(3,080,776)	(9,688,680)
Collection costs		(141,581)	(146,182)
Repairs and maintenance		(10,180,742)	(5,432,454)
Bulk purchases	31	(7,269,436)	(5,868,382)
Contracted services	32	(9,431,845)	(8,978,174)
Grants and subsidies paid	33	(5,788,967)	(13,177,403)
Loss on disposal of assets		(60,367)	-
General Expenses	34	(16,409,766)	(15,804,733)
Total Expenditure		(109,405,754)	(111,152,675)
Impairment (loss)/reversal of impairment loss		-	(585,849)
Inventories: (Write down)/reversal of write down to Net Realisable Value		624	-
Surplus for the year		47,292,253	35,051,423

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STATEMENT OF CHANGES IN NET ASSETS

	Housing operating account R	Accumulated surplus R	Total net assets R
Balance at 01 July, 2010	1,504,440	196,771,577	198,276,017
Changes in net assets			
Correction of prior year's errors on PPE	-	13,420,317	13,420,317
Net income (losses) recognised directly in net assets	-	13,420,317	13,420,317
Restated surplus for the year	-	35,051,423	35,051,423
Total recognised income and expenses for the year	-	48,471,740	48,471,740
Interest capitalised	68,528	-	68,528
Total changes	68,528	48,471,740	48,540,268
Balance at 01 July, 2011	1,572,968	245,243,317	246,816,285
Changes in net assets			
Interest capitalised	53,933	-	53,933
Net income (losses) recognised directly in net assets	53,933	-	53,933
Surplus for the year	-	47,292,253	47,292,253
Total recognised income and expenses for the year	53,933	47,292,253	47,346,186
Movement in accumulated surplus	-	2,255,825	2,255,825
Total changes	53,933	49,548,078	49,602,011
Balance at 30 June, 2012	1,626,901	294,791,395	296,418,296
Note(s)			

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CASH FLOW STATEMENT

	Note(s)	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Taxation		26,748,390	16,905,921
Sale of goods and services		14,827,983	12,402,268
Grants		97,587,456	93,073,975
Interest income - external investments		2,282,713	2,001,559
		<u>141,446,542</u>	<u>124,383,723</u>
Payments			
Employee costs		(37,532,812)	(33,561,924)
Finance costs		(14,263)	(43,137)
Other payments		(35,017,292)	(52,992,482)
		<u>(72,564,367)</u>	<u>(86,597,543)</u>
Net cash flows from operating activities	36	<u>68,882,175</u>	<u>37,786,180</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(66,841,024)	(40,076,125)
Proceeds from sale of property, plant and equipment	9	238,133	-
Net cash flows from investing activities		<u>(66,602,891)</u>	<u>(40,076,125)</u>
Cash flows from financing activities			
Repayment of current portion of long term liabilities		(134,499)	(196,341)
Net cash flows from financing activities		<u>(134,499)</u>	<u>(196,341)</u>
Net increase/(decrease) in cash and cash equivalents		2,144,785	(2,486,286)
Cash and cash equivalents at the beginning of the year		803,188	3,289,474
Cash and cash equivalents at the end of the year	4	<u>2,947,973</u>	<u>803,188</u>

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern - assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative figures

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these annual financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practical, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far it is practical, and the prior year comparatives are restated accordingly.

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ACCOUNTING POLICIES

1.5 Housing operating account

The Housing operating account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing operating account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing operating account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing operating account. Monies standing to the credit of the Housing operating account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement - revaluation model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at a cost amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent measures - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

Depreciation

Depreciation is calculated on the depreciable amount, using the straight line basis over the estimated useful lives of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other than estimated useful life.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment:

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5
• Halls	30
• Libraries	30
• Parks and gardens	30
• Other assets	5
Other assets	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5
• Landfill sites	15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. In determining the depreciation charge for the current year, the residual value for all assets have been taken into account.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs. The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible assets for use or sale;
- it is technically feasible to complete the intangible assets;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where intangible assets are acquired by the municipality for no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Where intangible assets are acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired items' fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but it is subject to an annual impairment test.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Amortisation and impairment

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ACCOUNTING POLICIES

1.7 Intangible assets (continued)

Amortisation is charged so as to write off the cost or valuation of intangible assets over the estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software	5

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

1.8 Investment property

Investment property includes property (land or a building - or part of a building - or both land or building held under finance lease) held to earn rentals and/or for capital appreciation, rather than held:

- to meet service delivery objectives, or
- the production or supply of goods or services, or for
- the sale in the ordinary course of assets.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at the date of completion.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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ACCOUNTING POLICIES

1.8 Investment property (continued)

Subsequent measurement - Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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ACCOUNTING POLICIES

1.9 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial assets or Financial liabilities.

Financial assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc);
- Unlisted investments;
- Long-term Receivables;
- Consumer Debtors;
- Certain Other Debtors (see note 6);
- Short-term Investment Deposits; and
- Bank Balances and Cash

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

In accordance with IAS 39.09, the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments
Unlisted investments	Held-to-maturity investments

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Financial liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities;
- Certain Other Creditors (see note 11);
- Bank Overdraft;
- Short-term loans;
- Current Portion of Long-term Liabilities; and
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured as:

- Other financial liabilities.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Derecognition of Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state. An expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.12 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as revenue in the statement of financial performance.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

Future events that may effect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Finance leases - lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as a sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalment received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method on a time proportionate basis.

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experiences of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.18 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the sources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grants, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Borrowings costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.20 Retirement benefits

The municipality provides retirement benefits for its employee's and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The following are defined benefit plans: Natal Joints Superannuation, Retirement and Provident Funds (NJMP). These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by multi-employer plan. It is therefore deemed impractical to obtain this information at a suitable level of detail. Current contributions by council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every 5 years. The last valuation was done on 31 March, 2006.

1.21 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.21 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.22 Impairment of assets

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or an annual impairment testing for an asset is required, the municipality makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable value. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specified to the asset.

As assessment is made at each reporting date as to whether there is any indication that a previously recognised impairment or impairment loss may no longer exist. If such an indication exists, the municipality makes an estimate of the recoverable amount.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.22 Impairment of assets (continued)

Identification

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.26 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices A, B, C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to Appendix E.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 50.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

ACCOUNTING POLICIES

1.28 Events after the reporting date

The municipality has carefully considered whether events occurring between the balance sheet date and the date of approval should be reflected in the annual financial statements. Events after the reporting period (or 'post balance sheet events') are either adjusting events or non-adjusting events. Adjusting events provide further evidence of conditions that existed at the balance sheet date and the carrying amounts of assets and liabilities at the balance sheet date are adjusted for such events. Non-adjusting events relate to conditions that arose after the balance sheet date and should be disclosed.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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2. Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments – October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
3. Call investments deposits		
Call investment deposits consist of:		
Nedbank - Mandeni branch - Call investment deposits Account number - 23581136/9998		
Cash book balance	5,923,849	5,662,966
Bank statement balance	5,923,849	5,662,966
Standard Bank - Mandeni branch - Call investment Account Number - 068637527002		
Cash book balance	24,985	24,489
Bank statement balance	24,985	24,489
First National Bank - Mandeni branch - Call investment deposits Account number - C061294217372		
Cash book balance	41,178,865	22,689,019
Bank statement balance	41,178,865	22,689,019
First National Bank - Mandeni branch - Call investment deposits Account number - C062028673219		
Cash book balance	1,626,902	4,042,178
Bank statement balance	1,626,902	4,042,178
First National Bank - Mandeni branch - Call investment deposits Account number - C062138398327		
Cash book balance	2,262,482	2,226,719
Bank statement balance	2,262,482	2,226,719
First National Bank - Mandeni branch - Call investment deposits Account number - C062252919471		
Cash book balance	9,118,981	298,804
Bank statement balance	9,118,981	298,804
First National Bank - Mandeni branch - Call investment deposits Account number - C062113325882		
Cash book balance	105,657	27,772
Bank statement balance	105,657	27,772
Cash book balance	60,241,721	34,971,947

4. Cash and cash equivalents

Cash and cash equivalents consist of:

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
4. Cash and cash equivalents (continued)		
Cash on hand	11,676	7,005
Cash at bank	2,936,297	796,183
	2,947,973	803,188
Cash on hand		
Balance at end of the year	11,676	7,005

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
4. Cash and cash equivalents (continued)		
Cash at bank consists of:		
First National Bank - Mandeni branch:		
Cheque Account		
Account number 52940480587		
Cash book balance	2,936,297	796,183
Bank statement balance	4,809,398	796,183
Cash book balance	2,936,297	796,183
5. Receivables from non-exchange transactions		
Gross balances		
Electricity	2,383,889	1,994,685
Refuse	18,443,019	16,282,847
	20,826,908	18,277,532
Less: Provision for debt impairment		
Electricity	(670,550)	(1,813,832)
Refuse	(14,698,207)	(14,802,961)
	(15,368,757)	(16,616,793)
Net balance		
Electricity	1,713,339	180,853
Refuse	3,744,812	1,479,886
	5,458,151	1,660,739
Electricity		
Current (0 -30 days)	36,576	129,793
31 - 60 days	-	125,595
61 - 90 days	93,817	84,096
91 - 120 days	-	46,199
121 - 365 days	99,386	929,959
> 365 days	2,154,110	679,043
Less: Impairment	(670,550)	(1,813,832)
	1,713,339	180,853
Refuse		
Current (0 -30 days)	187,117	162,742
31 - 60 days	282,387	730,843
61 - 90 days	318,729	182,981
91 - 120 days	237,560	91,960
121 - 365 days	253,149	2,739,446
> 365 days	17,164,077	12,374,875
Less: Impairment	(14,698,207)	(14,802,961)
	3,744,812	1,479,886

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
5. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Households		
Current (0 -30 days)	-	257,111
31 - 60 days	389,196	665,549
61 - 90 days	638,795	448,827
91 - 120 days	206,357	456,708
121 - 365 days	2,494,423	3,462,451
> 365 days	39,892,918	35,686,174
	<u>43,621,689</u>	<u>40,976,820</u>
Less: Provision for debt impairment	(33,991,013)	(36,292,658)
	9,630,676	4,684,162
Industrial/ commercial		
Current (0 -30 days)	65,700	50,658
31 - 60 days	425,398	328,001
61 - 90 days	221,197	170,533
91 - 120 days	222,215	171,338
121 - 365 days	1,565,965	1,207,429
> 365 days	5,185,882	3,998,565
	<u>7,686,357</u>	<u>5,926,524</u>
Less: Provision for debt impairment	(7,141,619)	(6,303,714)
	544,738	(377,190)
National and provincial government		
Current (0 -30 days)	145	2,529
31 - 60 days	776	13,506
61 - 90 days	467	8,136
91 - 120 days	175	3,040
121 - 365 days	346,365	6,031,684
> 365 days	537,557	9,361,168
	<u>885,485</u>	<u>15,420,063</u>
Less: Provision for debt impairment	(705,392)	(14,062,698)
	180,093	1,357,365
Total		
Current (0 -30 days)	223,692	292,535
31 - 60 days	263,458	856,438
61 - 90 days	412,546	267,077
91 - 120 days	25,468	138,159
121 - 365 days	1,631,056	3,669,405
> 365 days	18,270,688	13,053,918
	<u>20,826,908</u>	<u>18,277,532</u>
Less: Provision for debt impairment	(15,368,757)	(16,616,793)
	5,458,151	1,660,739
Less: Provision for debt impairment		

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
5. Receivables from non-exchange transactions (continued)		
Current (0 -30 days)	(270,873)	713,062
31 - 60 days	(239,295)	937,792
61 - 90 days	(242,958)	(225,008)
91 - 120 days	(234,473)	(41,273)
121 - 365 days	(1,492,892)	(7,827,178)
> 365 days	(12,888,266)	(10,174,188)
	(15,368,757)	(16,616,793)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(58,400,461)	(58,649,155)
Contributions to provision	(3,080,776)	(9,688,680)
Debt written off against provision	6,124,960	9,937,374
Reversal of provision	13,518,254	-
Impairment related to Non-exchange Transactions - Rates	25,232,662	41,339,552
Impairment related to Non-exchange Transactions - Other	1,236,604	444,116
	(15,368,757)	(16,616,793)
6. Receivables from non-exchange transactions		
Rates	30,153,671	42,898,297
Other	1,212,952	1,147,579
Insurance claims	(5,803)	-
Subsidies	845,250	279,500
Housing rental	40,230	40,230
Other receivables	419,401	932,033
Postage Deposit	10,000	-
Less: Non-exchange Impairment - Rates	(25,232,662)	(41,339,552)
Less: Non-exchange Impairment - Other	(1,236,604)	(444,116)
	6,206,435	3,513,971
Rates		
Current (0 -30 days)	15,957	14,598
31 - 60 days	960,165	872,878
61 - 90 days	1,258,665	300,310
91 - 120 days	323,002	293,639
121 - 365 days	433,609	9,459,525
> 365 days	27,162,276	31,957,347
Less: Impairment	(25,232,662)	(41,339,552)
	4,921,012	1,558,745
Other		
Current (0 -30 days)	7,219	1,068
31 - 60 days	2,332	1,641
61 - 90 days	2,545	1,541
91 - 120 days	-	-
121 - 365 days	51,983	106,241
> 365 days	1,148,873	1,037,088
Less: Impairment	(1,236,604)	(444,116)
	(23,652)	703,463

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
6. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Total		
Current (0 -30 days)	23,176	15,666
31 - 60 days	962,494	874,519
61 - 90 days	1,261,210	301,851
91 - 120 days	323,002	293,639
121 - 365 days	485,592	9,565,766
> 365 days	28,311,149	32,994,435
	31,366,623	44,045,876
Less: Provision for debt impairment	(26,469,266)	(41,783,668)
	4,897,357	2,262,208

7. Inventories

Consumable stores	281,749	244,104
Maintenance materials	89,380	70,902
	371,129	315,006
Consumable stores		
At cost	244,104	233,688
Additions	833,134	959,139
Issued (expensed)	(795,489)	(948,723)
	281,749	244,104
Maintenance materials		
At cost	70,902	70,902
Additions	61,737	-
Issues (expensed)	(43,259)	-
	89,380	70,902

8. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23,210,509	-	23,210,509	23,210,509	-	23,210,509

Reconciliation of investment property - 2012

	Opening balance	Revaluations	Total
Investment property	23,210,509	-	23,210,509

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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8. Investment property (continued)

Reconciliation of investment property - 2011

	Opening balance	Revaluations	Total
Investment property	80,165	23,130,344	23,210,509

Details of valuation

The Valuation roll for 2012/13 has been used to determine the fair value as it is believed to reflect the market value of properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Fair value of investment properties

Portion 6 of Farm Lot 5 Ca No. 8440	10,000	10,000
Portion 7 of Farm Lot 5 Ca No. 8440	20,000	20,000
Lot 56 of Padianagar	33,000	33,000
Lot 1203 of Mandeni - Aloe Road	60,000	60,000
Lot 571 of Mandeni - Anderson Road	92,000	92,000
Lot 504 of Mandeni - Matthews Road	95,000	95,000
Lot 327 of Mandeni - Greig Road	121,000	121,000
Lot 1466 of Mandeni - Aloe Road	296,000	296,000
Lot 884 of Mandeni - 11 Inyathi Road	336,000	336,000
Portion 4 of Farm Lot 13 Tugela No. 13862	32,000	32,000
Portion 2 of Farm Reserve No. 21 No. 16882	360,000	360,000
The Farm Lot 5 B No. 4351 Agricultural	1,100,000	1,100,000
The Farm Lot 5 Ca No. 8440	1,890,000	1,890,000
Remainder of Farm Lot 30 Inyoni No. 13890	2,470,000	2,470,000
Portion 1 of Farm Reserve No. 21 No. 16882	16,000,000	16,000,000
Lot 1340 of Mandeni	59,500	59,500
Lot 1018 of Mandeni	154,000	154,000
Lot 175 of Padianagar	41,000	41,000
Lot 181 of Tugela	41,000	41,000
	23,210,500	23,210,500

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

9. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	925,000	-	925,000	925,000	-	925,000
Buildings	10,797,793	(779,630)	10,018,163	10,483,481	(499,500)	9,983,981
Infrastructure	196,066,299	(25,889,290)	170,177,009	166,947,544	(12,753,560)	154,193,984
Community	36,653,280	(2,029,015)	34,624,265	25,381,624	(856,076)	24,525,548
Other assets	12,120,444	(4,257,902)	7,862,542	12,019,237	(3,609,116)	8,410,121
Total	256,562,816	(32,955,837)	223,606,979	215,756,886	(17,718,252)	198,038,634

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Work in progress	Revaluations	Depreciation	Disposals	Total
Land	925,000	-	-	-	-	-	-	925,000
Buildings	9,983,981	-	-	-	314,312	(280,130)	-	10,018,163
Infrastructure	154,193,984	34,268,834	-	(5,150,071)	-	(13,135,738)	-	170,177,009
Community	24,525,548	32,172,608	-	(20,900,819)	-	(1,173,072)	-	34,624,265
Other assets	8,410,121	399,582	(298,500)	-	-	(886,800)	238,139	7,862,542
	198,038,634	66,841,024	(298,500)	(26,050,890)	314,312	(15,475,740)	238,139	223,606,979

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Accumm. Depreciation	Depreciation	Disposals	Total
Land	336,373	-	-	-	588,627	-	-	-	925,000
Buildings	156,777	553,114	-	(553,114)	9,846,251	-	(19,047)	-	9,983,981
Infrastructure	161,755,795	18,051,704	-	-	(9,671,834)	-	(15,941,681)	-	154,193,984
Community	14,063,959	19,747,182	-	(20,758,918)	12,554,951	(1,014,764)	(497,058)	430,196	24,525,548
Other assets	5,854,649	1,724,125	-	-	1,877,193	(20,667)	(1,047,833)	22,654	8,410,121
Capital work in progress	3,676,916	-	-	21,312,032	(24,988,948)	-	-	-	-
	185,844,469	40,076,125	-	-	(9,793,760)	(1,035,431)	(17,505,619)	452,850	198,038,634

Revaluations

The effective date of the revaluations was . Revaluations were performed by independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality. (The valuations are performed by Mr.....[specify qualifications], a accounting officers, every period.)

Land and buildings are re-valued independently every x years.

The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used:

Discount rate

Other

Other.

These assumptions were based on current market conditions.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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10. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	344,315	(271,109)	73,206	344,315	(263,850)	80,465

Reconciliation of intangible assets - 2012

	Opening balance	Depreciation	Total
Computer software	80,465	(7,259)	73,206

Reconciliation of intangible assets - 2011

	Opening balance	Depreciation	Total
Computer software	87,724	(7,259)	80,465

11. Creditors

Trade payables	905,639	5,494,376
Other creditors	1,597,194	1,480,953
Bank deposits not yet receipted	503,031	478,051
	3,005,864	7,453,380

12. Consumer deposits

Electricity	1,234,283	1,180,287
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No guarantees held in lieu of Electricity Deposits.

13. VAT receivable

VAT	1,499,013	1,519,531
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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14. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Provision for leave	2,152,460	925,655	(778,532)	2,299,583

Reconciliation of provisions - 2011

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Provision for leave	2,689,523	103,463	(640,526)	2,152,460

The calculation for leave pay provision is based on the assumption that the balance of leave days accumulated by an individual employee should he/she terminate their employment, is payable. It is further assumed, that basic salaries reflect a true and current nature of an employee's remuneration and do not factor any retrospective changes with regards to SALGA negotiations or employee grievances.

15. Employee benefit obligations

Post-employment medical benefits

The municipality operated on 5 accredited medical aid schemes, namely KeyHealth, LA Health, SAMWU, Bonitas and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.10 %	8.50 %
Salary inflation	6.40 %	7.00 %
Consumer price index (CPI)	5.40 %	6.00 %
Health care cost inflation rate	6.90 %	7.00 %
Net effective discount rate	1.10 %	1.40 %
Average retirement age	63	63

Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA 90-2	PA 90-2

Proportion married

Age	Males	Females
Age 60+	80.0 %	80.0 %

We have assumed that children and orphans will be subsidised until the age of 21. If a child/orphan is currently over the age of 21, we have assumed that the child/orphan will be considered as an adult by the relevant medical scheme.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
15. Employee benefit obligations (continued)		
We have not make any allowance for active members to have child dependants in retirement.		
We have assumed that 80% of all members will be married at retirement. The percentage married at retirement is important as it is when the benefit will commence. Any assumptions prior to the age of 63 are considered immaterial due to the commencement date being on retirement.		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	3,977,000	3,483,000
Current service cost	275,000	248,000
Interest cost	335,000	311,000
Expected benefit payments	(101,000)	(65,000)
Actuarial (gains)/losses	4,248,000	-
Balance at end of year	8,734,000	3,977,000

Based on the assumption used in the current year, prior year's figure would have been understated.

Percentage of in-service members withdrawing before retirement:

Age 20	12.0 %
Age 30	10.0 %
Age 40	6.0 %
Age 50	2.0 %
Age 55+	- %

III-health and early retirement rates:

Specific ill health and early retirement rates have not been used. We have assumed that all members will retire at an average age of 63. We have further assumed that all members currently on a company sponsored scheme will continue on the medical scheme post-retirement. We have assumed that 20% of members not currently on a company sponsored medical scheme will take the option to join prior to retirement and become eligible for a subsidy.

Table 1 summarises the results of the sensitivity analysis and are disclosed in (R Millions)

Assumption	0.5% decrease in gap 1.6%	Valuation basis 8.734	0.5% increase in gap 0.6%	Valuation basis PA (90) - 1 8.734	PA (90) - 3 9.059
Health care cost inflation	9.636	8.734	7.949	-	-
Mortality	-	-	-	8.734	9.059

Long service awards and retirement gifts

The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
15. Employee benefit obligations (continued)		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.10 %	8.50 %
General Salary Inflation (long term)	6.40 %	7.00 %
Net effective discount rate	1.60 %	1.50 %
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members resigned from service		
		Per 1,000 members
Age 20		100
Age 25		100
Age 30		50
Age 35		50
Age 40		20
Age 45+		-
Membership summary		
Number of members	152	139
Average age of members (years)	42.9	43.0
Average past service (years)	11.0	11.2
Average salary	120,351	N/A
Benefit Structure		
Service (years)		Award (Number of days)
10		10
15		20
20		39
25		30
30		30
35		30
40		30
45		30
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	2,107,695	1,655,709
Current service cost	194,698	194,698
Interest cost	155,656	155,656
Expected benefit payments	(177,937)	(147,815)
Recognised actuarial (gains)/losses	(794,269)	249,447
Balance at end of year	1,485,843	2,107,695

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
15. Employee benefit obligations (continued)		
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	194,698	194,698
Interest cost	155,656	155,656
Benefit payments	(177,937)	(147,815)
Actuarial (gains)/losses	(794,269)	249,447
	(621,852)	451,986

In conclusion:

Statement of Financial Position obligation for

Long Service Awards Liability	1,485,843	2,107,695
Retirement Benefit Liability	8,734,000	3,977,000
	10,219,843	6,084,695

Statement of Financial Performance obligation for

Long Service Award Expense	(621,852)	451,986
Retirement Benefit Expense	4,757,000	494,000
	4,135,148	945,986

Table 1: Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	1.5% decrease in gap 1.0%	Valuation basis	0.5% increase in gap 2.1%
Central Assumptions	1.545	1.485	1.430
Cost/saving	0.060	-	(0.055)

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Corridor development grant income	88,457	555,010
Gijima grant income	13,959	13,959
Management assistance programme	-	(1)
Municipal system improvement grant	-	47
MIG grants	1,270,903	1
Sport and recreation grant	354,499	237,490
NDP grant	8,691,517	(634,891)
Housing capital grant	-	5,859
SMME Nedbank	17,912	114,912
	10,437,247	292,386

See note 25 for reconciliation of grants and receipts.

These amounts are invested in a ring-fenced investment until utilised.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
17. Long term liabilities		
Annuity loans	-	134,499
Non-current liabilities		
Annuity loans	-	34,185
Current liabilities		
Annuity loans	-	100,314
	-	134,499
Reconciliation of borrowings		
Opening balance	134,499	330,840
Less: Payments	(134,499)	(196,341)
Non-current: Annuity loans	-	34,185
Current: Annuity loans	-	100,314
Closing balance	-	134,499
18. Finance lease obligation		
Future finance charges		
- within one year	196,398	230,065
- in second to fifth year inclusive	230,486	206,744
Future finance charges	426,884	436,809
Present value of minimum lease payments		
- within one year	-	-
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	-

The average lease term is 5 years and the average effective borrowing rate is 11.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased assets.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
19. Housing operating account		
Housing operating account		
Balance	1,572,968	1,504,440
Interest income	53,932	68,528
	1,626,900	1,572,968
Interest on housing fund		
Interest received	53,932	68,528
Transfer to Housing reserve fund	(53,932)	(68,528)
	-	-
20. Revenue		
Property rates	20,866,449	20,451,224
Property rates – Penalties imposed and collection charges	352,549	392,998
Service charges	15,984,020	13,354,630
Rental of facilities & equipment	203,795	186,623
Fines	90,599	451,559
Licences and permits	1,566	1,191,138
Government grants & subsidies	97,587,456	102,339,356
	135,086,434	138,367,528
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	15,984,020	13,354,630
Rental of facilities & equipment	203,795	186,623
Licences and permits	1,566	1,191,138
	16,189,381	14,732,391
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20,866,449	20,451,224
Property rates – Penalties imposed and collection charges	352,549	392,998
Fines	90,599	451,559
Transfer revenue		
Government Grant and Subsidies	97,587,456	102,339,356
	118,897,053	123,635,137

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
21. Property rates		
Rates received		
Residential	6,763,692	7,845,121
Commercial	8,832,885	10,434,889
State	5,269,872	2,171,214
	<u>20,866,449</u>	<u>20,451,224</u>
Property rates - penalties imposed and collection charges	352,549	392,998
	<u>21,218,998</u>	<u>20,844,222</u>
Valuations		
Residential	686,928,000	679,268,000
Commercial	107,906,500	107,906,500
Industrial	48,508,000	64,363,000
Industrial Estate Special	433,360,000	417,505,000
Mining	14,000,000	14,000,000
Agricultural	293,303,000	299,728,000
Institutional	148,801,000	50,337,000
Public Services Infrastructure	352,441,000	137,657,000
Municipal Properties	33,972,000	-
	<u>2,119,219,500</u>	<u>1,770,764,500</u>

Commercial includes industrial mining and agriculture.

State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential	R0.0121	R0.0112
Commercial	R0.0193	R0.0179
Industrial	R0.0205	R0.0190
Industrial Estate Special	R0.0178	R0.0165
Mining	R0.0229	R0.0212
Agriculture	R0.0030	R0.0028
Public Service Infrastructure	R0.0030	R0.0028
State	R0.0181	R0.0168

All residential property owners are exempt from paying rates on the first R15,000.00 value of property. All pensioners, the disabled and medically boarded owners are eligible for the rebates.

Rates are levied on an annual basis with the final date for payment being 31 May, 2012 (31 May, 2011).

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
22. Service charges		
Sale of electricity	10,720,348	8,978,793
Refuse removal	5,263,672	4,375,837
	15,984,020	13,354,630
23. Rental of facilities and equipment		
Hall hire	18,951	20,953
Staff housing	184,844	165,670
	203,795	186,623
24. Interest received - external investments		
Bank	2,282,713	2,001,559

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
25. Government grants and subsidies		
Equitable share	57,058,000	49,628,975
Finance management grant	1,264,666	1,141,112
Municipal systems improvement grant	733,300	672,400
Grant roll overs	329,866	14,190,175
Health subsidy	1,127,000	1,103,542
MIG grant	17,533,694	11,508,698
Housing grant	2,768,461	9,848,036
Neighbourhood development partnership grant	16,079,798	12,630,302
Library grant	562,680	90,000
Corridor/Shared service	-	1,526,116
Sport facilities grant	32,991	-
SMME training grant	97,000	-
	97,587,456	102,339,356

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	-	-
Current-year receipts	57,058,000	49,628,975
Conditions met - transferred to revenue	(57,058,000)	(49,628,975)
	-	-

Finance management grant

Balance unspent at beginning of year	-	-
Current-year receipts	1,450,000	1,200,000
Conditions met - transferred to revenue	(1,450,000)	(1,200,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

This grant is used to set up and support the budget and treasury office and financing the appointment of finance interns.

Municipal system improvement grant

Balance unspent at beginning of year	47	(1)
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(790,047)	(749,952)
	-	47

Conditions still to be met - remain liabilities (see note 16).

This grant was used to implement new financial systems, the GRAP conversion process, ward participation and debt management activities.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
25. Government grants and subsidies (continued)		
Management assistance programme		
Balance unspent at beginning of year	(1)	276,076
Conditions met - transferred to revenue	1	(276,077)
	-	(1)
Conditions still to be met - remain liabilities (see note 16).		
The grant is used to set up policies and procedures and to assist with issues of good governance.		
Local government support grant		
Balance unspent at beginning of year	-	397,556
Conditions met - transferred to revenue	-	(397,556)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
This is the initiative by Provincial COGTA to ensure that proper governance structures are created in municipalities.		
Health subsidy		
Current-year receipts	-	1,103,542
Conditions met - transferred to revenue	-	(1,103,542)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
The municipality renders health services on behalf of the Provincial Government. This grant is used to fund the clinic services.		
MIG grant		
Balance unspent at beginning of year	1	3,152,719
Current-year receipts	21,259,314	13,987,000
Conditions met - transferred to revenue	(19,988,412)	(17,139,718)
	1,270,903	1
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to construct roads infrastructure.		

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
25. Government grants and subsidies (continued)		
Housing grant		
Balance unspent at beginning of year	5,859	22,715
Current-year receipts	2,762,602	9,452,937
Conditions met - transferred to revenue	(2,768,461)	(9,469,793)
	-	5,859
Conditions still to be met - remain liabilities (see note 16).		
This grant is used is used to construct the low cost housing infrastructure by the Department of Housing (Provincial).		
Neighbourhood development partnership grant		
Balance unspent at beginning of year	(634,891)	10,584,745
Current-year receipts	27,000,000	13,670,000
Conditions met - transferred to revenue	(17,673,592)	(24,889,636)
	8,691,517	(634,891)
Conditions still to be met - remain liabilities (see note 16).		
The focus of this grant is to stimulate and accelerate investment in poor underserved residential neighbourhood areas.		
Library grant		
Balance unspent at beginning of year	-	-
Current-year receipts	562,680	90,000
Conditions met - transferred to revenue	(562,680)	(90,000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
This grant is utilised to fund the acquisition of library materials.		
Corridor development grant		
Balance unspent at beginning of year	555,010	1,663,405
Current-year receipts	213,626	2,317,790
Conditions met - transferred to revenue	(680,179)	(3,426,185)
	88,457	555,010
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to promote local economic development on tourism nodes identified by the KZN Corridor Development Programme within the northern municipal planning region. A beach facility has been created.		

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
25. Government grants and subsidies (continued)		
Gijima grant		
Balance unspent at beginning of year	13,959	13,959
Current-year receipts	-	-
	13,959	13,959

Conditions still to be met - remain liabilities (see note 16).

The funds received are utilised for the promotion of tourism and LED activities.

Sports and recreation grant

Balance unspent at beginning of year	237,490	237,490
Current-year receipts	150,000	-
Conditions met - transferred to revenue	(32,991)	-
	354,499	237,490

Conditions still to be met - remain liabilities (see note 16).

Department of sport and recreation provides funds for the development of local sport facilities.

SMME training grant

Balance unspent at beginning of year	114,912	-
Current-year receipts	-	200,000
Conditions met - transferred to revenue	(97,000)	(85,088)
	17,912	114,912

Conditions still to be met - remain liabilities (see note 16).

This grant was used to capacitate SMMEs.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
26. Other income		
Building plan fees	29,212	96,610
Sundry income	529,005	627,056
Traffic escort services	-	219
Testing of meters	-	809
Donations	-	3,000
Connection fees	3,929	29,507
Entrance fees - swimming pool	9,400	11,601
Photocopy charges	25,775	23,266
Rates certificates	15,512	14,595
Reconnection fees	10,022	77,110
Seta refunds	118,894	-
VAT income	5,066,567	5,537,087
Business LED	1,666	-
	5,809,982	6,420,860

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
27. Employee related costs		
Basic	17,728,095	17,082,835
Medical aid - company contributions	1,648,604	1,489,758
UIF	178,896	172,693
WCA	23,495	18,756
SDL	311,653	276,568
Leave pay provision charge	925,655	103,463
Post-employment benefits - Pension - Defined contribution plan	2,598,657	2,498,222
Overtime payments	751,018	437,174
Car allowance	2,063,739	1,853,614
Housing benefits and allowances	137,472	135,054
Cellphone allowance	190,014	163,630
Pension surcharge	74,639	90,090
	26,631,937	24,321,857
There were no advances to employees/Loans to employees are set out in note 6.		
Remuneration of municipal manager		
Annual Remuneration	704,702	583,704
Travel, motor car, accommodation, subsistence and other allowances	108,840	296,285
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	29,272	67,124
	842,814	947,113
Remuneration of chief finance officer		
Annual Remuneration	543,290	490,694
Travel, motor car, accommodation, subsistence and other allowances	240,674	252,520
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	34,672	36,563
	818,636	779,777
Remuneration of individual executive directors (corporate services)		
Annual Remuneration	553,887	472,694
Travel, motor car, accommodation, subsistence and other allowances	333,069	246,514
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	11,151	62,165
	898,107	781,373
Remuneration of individual executive directors (technical services)		
Annual Remuneration	672,624	367,897
Travel, motor car, accommodation, subsistence and other allowances	136,500	107,686
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	9,439	45,038
	818,563	520,621

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
28. Remuneration of councillors		
Executive Major	230,036	275,743
Deputy Executive Mayor	225,770	161,704
Mayoral Committee Members	801,317	719,804
Speaker	446,194	365,562
Councillors	3,959,807	3,049,924
Councillors' allowances	1,859,631	1,638,448
In-kind benefits		
The Executive Mayor has use of the Council owned vehicle for official duties.		
The Executive Mayor has two full-time bodyguards.		
29. Depreciation and amortisation		
Property, plant and equipment	15,360,051	17,505,618
30. Finance costs		
Borrowings	14,263	43,137
31. Bulk purchases		
Electricity	7,269,436	5,868,382
32. Contracted services		
Security of municipal property	2,261,099	1,925,442
Solid waste management	7,170,746	7,052,732
	9,431,845	8,978,174

Enforce Security and Libra Security are responsible of the security of the municipal property.

Mandeni Waste Removal is responsible for the removal of solid waste management.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
33. Grants and subsidies paid		
Other subsidies		
Management assistance programme	1	(1)
Finance management grant	1,264,661	1,141,112
Municipal systems improvement grant	733,300	672,400
Grants rolled over	329,866	1,425,856
Local economic development	97,000	-
MIG Capital	(1)	-
Housing capital	2,768,469	9,848,036
Library grant	562,680	90,000
Sport facilities grant	32,991	-
	5,788,967	13,177,403
34. General expenses		
Advertising	178,648	203,539
Aids awareness	304,714	51,266
Arts and culture forum	-	3,419
Audit - internal	271,202	374,673
Audit committees	71,726	77,508
Auditors remuneration	1,649,756	1,188,151
Bank charges	168,225	211,930
Contributions to capital outlay	-	1,121,431
Dog unit	9,143	2,460
Electricity - health	60,316	73,820
Electricity - internal	540,435	490,612
Environmental forum	41,181	-
Fire arm shooting	5,520	560
Fuel and oil	1,406,934	1,020,287
GRAP implementation	86,833	417,487
Health supplies	229,991	225,022
Hire	247,521	205,044
Insurance	19,257	446,629
LED Forum	100,977	22,000
Lease rentals on operating lease	944,270	973,405
Legal and professional fees	418,028	1,006,091
Licenses	368,879	228,143
Literature acts and books	12,847	8,105
Office cleaning	78,017	77,695
Office teas	33,539	10,356
Other expenses	62,910	843,226
Pauper/indigent burial	78,277	92,276
Postage and courier	209,681	193,292
Printing and stationery	400,875	343,995
Property revaluation	868,139	150,000
Protection services	5,108	11,326
Public functions	681,558	385,604
Public participation	423,074	530,692
Publications	313,089	282,531
Rates council property	71,445	8,945
Refuse	7,549	1,774
Shared services	502,798	-

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
34. General expenses (continued)		
Small tools	9,421	14,241
Special programmes	516,440	190,696
Sports and recreation	361,488	358,728
Subscriptions and membership fees	403,322	348,327
Subsistence and travelling	747,805	466,177
Sundry expenses	664,388	514,796
Telephone and fax	1,158,345	1,153,661
Town planning costs	-	455
Training	731,270	631,970
Tuck shop - expenses	38,922	-
Uniforms	105,190	80,240
Ward committees	290,227	139,657
Water	253,759	361,948
Workmans compensation	180,693	150,033
Youth programmes	76,034	110,510
	16,409,766	15,804,733
35. Profit/(Loss) on Fair Value Adjustment		
No fair value adjustments made on assets.		
36. Cash generated from operations		
Surplus	47,292,253	35,051,423
Adjustments for:		
Depreciation and amortisation	15,360,051	17,505,618
Loss on sale of assets and liabilities	60,367	-
Inventory write down	(624)	-
Impairment loss	-	585,849
Debt impairment	3,080,776	9,688,680
Movements in retirement benefit assets and liabilities	4,135,148	945,986
Movements in provisions	147,123	(537,063)
Other non-cash items: Roll over grants	41,450,022	-
Other non-cash items: Debt impairment	(13,518,254)	-
Capitalisation of Grants that met/condition on assets		
Revaluation of Property, plant and equipment	(56,123)	(10,416)
Contributions to retirement benefits	(2,692,464)	3,911,889
Consumer debtors	(6,878,188)	(9,483,613)
Call investments deposits	(25,269,772)	(6,372,005)
Creditors	(4,447,515)	4,125,327
VAT	20,518	(1,824,989)
Unspent conditional grants and receipts	10,144,861	(16,056,277)
Consumer deposits	53,996	187,275
Moving in housing operating account	-	68,496
	68,882,175	37,786,180
37. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	-	134,499
Used to finance property, plant and equipment	-	(134,499)
	-	-

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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37. Utilisation of Long-term liabilities reconciliation (continued)

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

38. Changes in accounting policy

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the discontinued use of Directive 4 and changes to existing policy as at 30 June, 2012.

Correction of errors in accordance with GRAP 3

During the year, the municipality changed its accounting policy with respect to the treatment of Property Plant and Equipment. In order to fully implement GRAP 17 – PPE.

The comparative amount has been restated as follows:

Revaluation on investment property	23,210,500	-
Revaluation of land and buildings	6,886,000	-
Re instated PPE due to threshold disbanded	1,896,308	-
Correction of duplication	(17,146,664)	-
Assets written off due to vague description	(9,146,988)	-
Overstated on MAMS take on balances	(367,282)	-
Reversal of accumulated depreciation	8,088,436	-
	13,420,310	-

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June, 2011 is as follows:

Statement of financial position

Property, plant and equipment

Previously stated	233,979,818	-
Adjustment	5,331,875	-
	239,311,693	-

Accumulated depreciation

Previously stated	(26,070,538)	-
Adjustment	8,088,436	-
	(17,982,102)	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
39. Prior period errors		
The correction of the error(s) results in adjustments as follows:		
40. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	162,804
Condoned or written off by Council	-	(162,804)
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
41. Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	49,368,096	40,064,356
Irregular Expenditure - current year	5,533,055	9,303,740
Condoned or written off by Council	(51,924,892)	-
Irregular expenditure awaiting condonement	2,976,259	49,368,096
Details of irregular expenditure – current year		
Incident	Disciplinary steps taken/criminal proceedings	
Payments made without Reasons for not having three quotation	Not Applicable	194,700
No public invitation was made for quotations above R30,000.00		2,218,629
Payments made without obtaining Tax clearance		1,182,619
Payments made to suppliers who are not on the database	Not Applicable	1,354,177
Procurement with employees in the service of the state		582,930
		5,533,055
Details of irregular expenditure – prior year		
Incident	Disciplinary steps taken/criminal proceedings	
Payments made without Reasons for not having three quotation	Not Applicable	4,876,613
Payments made without obtaining Tax clearance	Not Applicable	353,046
Awards made to suppliers who are not on the database	Not Applicable	4,074,081
		9,303,740

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	2012 R	2011 R
42. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	-	-
Council subscriptions	181,148	164,680
Amount paid - current year	(181,148)	(164,680)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
Audit fees		
Opening balance	-	-
Current year audit fee	1,649,756	1,188,151
Amount paid - current year	(1,649,756)	(1,188,151)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
VAT		
VAT receivable	1,499,013	1,519,531
PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	3,934,005	3,689,818
Amount paid - current year	(3,934,005)	(3,689,818)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
The balance represents PAYE and UIF deducted from the June 2011 payroll. These amounts were paid during July 2011.		
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	6,604,031	5,309,514
Amount paid - current year	(6,604,031)	(5,309,514)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
The balance represents pension and medical aid contributions deducted from employees payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2010.		
Councillors' arrear consumer accounts		
No Councillors were in arrears account for more than 90 days as at 30 June, 2012.		

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
42. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management deviations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Consumables	-	13,150
Legal fees	-	132,468
Publications	-	19,654
Repairs and Maintenance	-	91,810
	-	257,082
43. Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Infrastructure	22,575,130	31,363,016
Approved but not yet contracted for		
• Infrastructure	41,003,588	-
This expenditure will be financed from		
Government grants	63,578,718	30,196,655
Own resources	-	-
District Council Grants	-	1,166,361
	63,578,718	31,363,016
Operating leases - as lessee (expense)		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Minimum lease payments due		
- within one year	1,038,767	119,125
- in second to fifth year inclusive	1,923,604	701,271
- later than five years	-	-
	2,962,371	820,396

Operating leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2012 R	2011 R
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44. Retirement benefit information

Defined Benefit Plan

The following are defined benefit plans: Natal Joints Superannuation, Retirement and Provident Funds (NJMP). These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by multi-employer plan. It is therefore deemed impractical to obtain this information at a suitable level of detail. Current contributions by council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every 5 years. The last valuation was done on 31 March, 2006.

An interim valuation carried on the NJMP Superannuation (Defined Benefit) at 31 March 2006 concluded that the surcharge of 6% be retained for the year 30 June 2007 and thereafter at 4.5%.

The latest statutory valuation of the NJMP Retirement (Defined Benefit) as at 31 March 2007 reflects a fund deficit of R229,8 million in respect of the members. The total contribution rate payable, including the total surcharge of 14%, will eliminate the deficit by the year 2010.

The latest statutory valuation of the NJMP Provident Fund (Defined Contribution) as at 03 March 2007 revealed that the fund was in a sound financial position.

An amount of R2 498 218 was contributed by council in respect of councillors' and employees' retirement funding. These contributions have been expensed and are included in employee related costs for the year.

45. Contingencies

Contingent liabilities

Mandeni municipality vs Sparks motors

-	1,500,000
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Claims against the municipality on service contract cancelled before it expire. Deneys Reitz attorneys were involved in the matter to defend the claim. In finalising the matter the court ordered that due to non-appearance of the plaintiff in the court the case is dismissed with costs.

Contingent assets

No contingent asset was reported in this financial year.

46. Related parties

No related party transactions and/or balances.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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47. Events after the reporting date

There are no events that were reported at the reporting date.

48. Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant and equipment
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

49. Risk management

Financial instruments

Exposure to currency, interest rate, credit and liquidity risks arise in the normal course of the municipality's business.

Financial risk management

The municipality has exposure to the following risks from its use of financial instruments:

- Liquidity Risk
- Interest Rate Risk
- Credit Risk

This note presents information about the municipality's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Council and the Accounting Officer have overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies together with the established risk management committee are in place to identify and analyze the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the municipality's activities.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
49. Risk management (continued)		
The municipality through its training and management standards and procedures, aim to develop a disciplined and constructive environment in which all employees understand their roles and obligations.		
Financial Assets		
Investments	60,241,721	5,687,455
Receivables	11,664,586	6,954,651
Inventories	371,129	315,006
Cash and cash equivalents	2,805,932	29,291,499
Total Assets	75,083,368	42,248,611
Financial Liabilities		
Creditors	3,235,905	7,453,379
Deposits	1,234,283	1,180,287
Trade and other payables	4,470,188	8,633,666
Loans received	-	134,499
Unspent grants	10,437,247	970,610
Total Liabilities	14,907,435	9,738,775

The Accounting Officer is of the opinion that the values reflected in the financial statements are a true reflection of Fair values of both the Financial Assets and Liabilities.

Basis of determining Fair Value

Trade and other receivables/payables

The fair value of trade & other receivable is estimated to be the actual receipts expected adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet its commitments. The municipality's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. The bulk portions of investments held are short term and can be converted when required. The municipality is currently debt free as all loan are fully paid as at 30 June 2012. In terms of non derivative financial liability namely trade and other payables, consumer deposits and unspent conditional grants can be called within one year or less and as such the fair value has not been discounted to present value the non derivative financial liability.

Total balance of liquidity risk Rnil as financial assets exceed financial liabilities.

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
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49. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the municipality's capacity to service such debt from future earnings and allocations however the long term loan's interest rate is fixed throughout the term of repayment. Balances exposed to the interest rate risk. The municipality's policy is to further manage interest rate risks so that fluctuations in interest rates do not have a material impact on the net surplus/ deficit.

Investments	60,241,721	5,687,455
Cash and cash equivalents	2,805,932	29,291,499
	63,047,653	34,978,954

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the municipality, thereby causing financial loss to the municipality. It is the municipality's policy that all customers who wish to trade on credit terms are subject to payment of a deposit. In addition, receivable balances are monitored on an ongoing basis with the result that the municipality's exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Trade and other receivables from exchange transactions	5,458,151	3,922,947
VAT receivable	1,492,355	1,519,531
Other receivables	6,206,435	1,512,173
	13,156,941	6,954,651

The ageing of trade receivables at the reporting date was

	2012 Gross	2012 Impairment	2011 Gross	2011 Impairment
Current	-	-	1,563,637	969,561
Past Due: 0 - 120	-	-	81,247	81,247
More than 120	-	-	731,227	731,227

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

50. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	17,700,000	17,700,000	17,700,000	21,218,998	(3,518,998)	120 %	120 %
Service charges	16,331,000	16,331,000	16,331,000	15,984,020	346,980	98 %	98 %
Investment revenue	1,500,000	2,000,000	2,000,000	2,282,713	(282,713)	114 %	152 %
Transfers recognised - income	65,144,000	65,144,000	65,144,000	60,642,823	4,501,177	93 %	93 %
Other own income	12,874,000	6,264,000	6,264,000	19,624,820	(13,360,820)	313 %	152 %
Total revenue (excluding capital transfers and contributions)	113,549,000	107,439,000	107,439,000	119,753,374	(12,314,374)	111 %	105 %
Employee costs	(33,759,000)	(35,690,000)	(35,690,000)	(30,010,057)	(5,679,943)	84 %	89 %
Remuneration of councillors	(7,637,000)	(7,637,000)	(7,637,000)	(7,522,755)	(114,245)	99 %	99 %
Debt impairment	-	-	-	(3,080,776)	3,080,776	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(3,307,000)	(3,307,000)	(3,307,000)	(15,360,051)	12,053,051	464 %	464 %
Finance charges	-	-	-	(14,263)	14,263	DIV/0 %	DIV/0 %
Materials and bulk purchases	(15,925,000)	(16,175,000)	(16,175,000)	(7,269,436)	(8,905,564)	45 %	46 %
Transfers and grants	(7,944,000)	(7,944,000)	(7,944,000)	(5,788,967)	(2,155,033)	73 %	73 %
Other expenditure	(37,418,000)	(32,737,000)	(32,737,000)	(40,359,449)	7,622,449	123 %	108 %
Total expenditure	(105,990,000)	(103,490,000)	(103,490,000)	(109,405,754)	5,915,754	106 %	103 %
Surplus/(Deficit)	7,559,000	3,949,000	3,949,000	10,347,620	(6,398,620)	262 %	137 %

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

50. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised- capital and contributed assets	(77,756,000)	(87,252,000)	(87,252,000)	36,944,633	(124,196,633)	(42)%	(48)%
Transfers recognised - capital	70,197,000	83,303,000	83,303,000	-	83,303,000	- %	- %
Surplus (Deficit) after capital transfers and contributions	-	-	-	47,292,253	(47,292,253)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	-	-	-	47,292,253	(47,292,253)	DIV/0 %	DIV/0 %

MANDENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

50. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Sources of capital funds							
Total capital expenditure	70,197,000	83,303,000	83,303,000	70,197,000	13,106,000	84 %	100 %
Internally generated funds	7,559,000	3,949,000	3,949,000	3,949,000	-	100 %	52 %
Total sources of capital funds	77,756,000	87,252,000	87,252,000	74,146,000	13,106,000	85 %	95 %
Cash flows							
Net cash from (used) operating	-	-	-	68,882,175	(68,882,175)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	(66,602,891)	66,602,891	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	(134,499)	134,499	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	2,144,785	(2,144,785)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	803,188	(803,188)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	2,947,973	(2,947,973)	DIV/0 %	DIV/0 %

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June, 2011	Received during the period	Redeemed written off during the period	Balance at 30 June, 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Annuity loans							
DBSA @ 15.82%	1	31/12/2010	-	-	-	-	-
DBSA @ 15.82%	2	31/12/2011	53,963	-	53,963	-	-
DBSA @ 15.82%	3	31/12/2012	16,960	-	16,960	-	-
DBSA @ 15.82%	4	31/12/2013	63,530	-	63,530	-	-
			134,453	-	134,453	-	-
Total external loans							
Annuity loans			134,453	-	134,453	-	-
			134,453	-	134,453	-	-

Mandeni Municipality
Unaudited Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	925,000	-	-	-	-	-	925,000	-	-	-	(280,130)	-	(280,130)	644,870
Buildings	10,483,481	-	-	314,312	-	-	10,797,793	(499,500)	-	-	-	-	(499,500)	10,298,293
	11,408,481	-	-	314,312	-	-	11,722,793	(499,500)	-	-	(280,130)	-	(779,630)	10,943,163
Infrastructure														
Roads	164,729,074	28,807,607	-	-	-	-	193,536,681	(12,616,026)	-	-	(13,066,259)	-	(25,682,285)	167,854,396
Transmission & Reticulation	1,759	-	-	-	-	-	1,759	(107)	-	-	-	-	(107)	1,652
Electricity Mains	2,216,702	-	-	-	-	-	2,216,702	(137,427)	-	-	(69,471)	-	(206,898)	2,009,804
	166,947,535	28,807,607	-	-	-	-	195,755,142	(12,753,560)	-	-	(13,135,730)	-	(25,889,290)	169,865,852
Community Assets														
Recreational grounds	10,951,023	10,992,714	-	-	-	-	21,943,737	-	-	-	(268,588)	-	(268,588)	21,675,149
Civic buildings	12,907,523	590,098	-	-	-	-	13,497,621	(430,429)	-	-	(863,653)	-	(1,294,082)	12,203,539
Stadiums	1,523,078	-	-	-	-	-	1,523,078	(425,646)	-	-	(40,699)	-	(466,345)	1,056,733
	25,381,624	11,582,812	-	-	-	-	36,964,436	(856,075)	-	-	(1,172,940)	-	(2,029,015)	34,935,421

June 2012

Analysis of property, plant and equipment as at 30 June 2012

Other assets

June 2010

Cost/Revaluation

Land and buildings

Land	336,373	-	-	-	588,627	-	925,000	-	-	-	-	-	925,000	
Buildings	518,883	553,114	-	(553,114)	9,964,598	-	10,483,481	(362,101)	-	(118,352)	(19,047)	-	(499,500)	9,983,981
	855,256	553,114	-	(553,114)	10,553,225	-	11,408,481	(362,101)	-	(118,352)	(19,047)	-	(499,500)	10,908,981

Infrastructure

Roads	161,590,806	18,051,704	-	-	(14,913,436)	-	164,729,074	(15,284,302)	-	3,867,615	(1,199,339)	-	(12,616,026)	152,113,048
Transmission & Reticulation	1,718	41	-	-	-	-	1,759	(107)	-	-	-	-	(107)	1,652
Electricity Mains	1,970,264	-	-	-	246,438	-	2,216,702	(1,165,927)	-	1,125,887	(97,387)	-	(137,427)	2,079,275
	163,562,788	18,051,745	-	-	(14,666,998)	-	166,947,535	(16,450,336)	-	4,993,502	(1,296,726)	-	(12,753,560)	154,193,975

Community Assets

Sportsfields and stadium	13,498	-	-	-	(13,498)	-	-	(867)	-	867	-	-	-
Recreational grounds	13,799,288	11,973,316	-	(20,758,918)	5,937,337	-	10,951,023	(2,387,492)	-	2,387,782	(290)	-	10,951,023
Civic buildings	2,311,469	7,773,866	(1,011,494)	-	3,833,682	-	12,907,523	(989,227)	426,927	225,743	(93,872)	(430,429)	12,477,094
Stadiums	1,333,424	-	-	-	189,654	-	1,523,078	(3,504)	-	(19,246)	(402,896)	(425,646)	1,097,432
	17,457,679	19,747,182	(1,011,494)	(20,758,918)	9,947,175	-	25,381,624	(3,381,090)	426,927	2,595,146	(497,058)	(856,075)	24,525,549

June 2010

Cost/Revaluation

Other assets

Total property plant and equipment

Investment properties

0

Total

June 2012

Cost/Revaluation	Accumulated Depreciation
100	0
100	10
100	20
100	30
100	40
100	50
100	60
100	70
100	80
100	90
100	100
100	110
100	120
100	130
100	140
100	150
100	160
100	170
100	180
100	190
100	200
100	210
100	220
100	230
100	240
100	250
100	260
100	270
100	280
100	290
100	300
100	310
100	320
100	330
100	340
100	350
100	360
100	370
100	380
100	390
100	400
100	410
100	420
100	430
100	440
100	450
100	460
100	470
100	480
100	490
100	500
100	510
100	520
100	530
100	540
100	550
100	560
100	570
100	580
100	590
100	600
100	610
100	620
100	630
100	640
100	650
100	660
100	670
100	680
100	690
100	700
100	710
100	720
100	730
100	740
100	750
100	760
100	770
100	780
100	790
100	800
100	810
100	820
100	830
100	840
100	850
100	860
100	870
100	880
100	890
100	900
100	910
100	920
100	930
100	940
100	950
100	960
100	970
100	980
100	990
100	1000

[illegible]

Mandeni Municipality
Unaudited Appendix D

June 2012

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
2,040,000	12,308,872	(10,268,872)	Executive & Council/Mayor and Council	4,039,530	17,570,639	(13,531,109)
90,328,178	46,256,163	44,072,015	Finance & Admin/Finance	81,164,442	39,824,493	41,339,949
25,927,396	9,557,297	16,370,099	Planning and Development/Economic Development/Plan	33,996,694	10,281,044	23,715,650
1,103,542	1,679,843	(576,301)	Health/Clinics	1,127,000	2,049,691	(922,691)
138,450	5,091,473	(4,953,023)	Comm. & Social/Libraries and archives	643,160	4,549,477	(3,906,317)
9,848,036	9,870,708	(22,672)	Housing	-	62,512	(62,512)
1,638,686	6,273,754	(4,635,068)	Public Safety/Police	82,752	6,435,873	(6,353,121)
11,601	383,532	(371,931)	Sport and Recreation	9,400	391,813	(382,413)
4,375,837	7,796,933	(3,421,096)	Waste Water Management/Sewerage	6,263,671	7,243,451	(979,780)
-	3,246,485	(3,246,485)	Road Transport/Roads	-	7,949,751	(7,949,751)
11,378,219	9,273,473	2,104,746	Electricity /Electricity Distribution	13,034,299	10,234,855	2,799,444
146,789,945	111,738,533	35,051,412		140,360,948	106,593,599	33,767,349
146,789,945	111,738,533	35,051,412	Municipality	140,360,948	106,593,599	33,767,349
146,789,945	111,738,533	35,051,412	Total	140,360,948	106,593,599	33,767,349

Mandeni Municipality
Unaudited Appendix E(1)

June 2012

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	20,866,449	17,280,000	3,586,449	20.8	
Service charges	15,984,019	16,331,000	(346,981)	(2.1)	
Property rates - penalties imposed and collection charges	352,549	420,000	(67,451)	(16.1)	
Rental of facilities and equipment	203,795	190,000	13,795	7.3	
Fines	90,600	853,000	(762,400)	(89.4)	
Licences and permits	1,566	-	1,566	-	
Government grants & subsidies	97,587,456	65,144,000	32,443,456	49.8	
Other income 1	13,518,254	-	13,518,254	-	
Other income	5,809,982	5,222,000	587,982	11.3	
Interest received - investment	2,282,713	2,000,000	282,713	14.1	
	156,697,383	107,440,000	49,257,383	45.8	
Expenses					
Personnel	(30,010,048)	(35,690,000)	5,679,952	(15.9)	
Remuneration of councillors	(7,522,755)	(7,637,000)	114,245	(1.5)	
Retirement benefit contribution	(4,135,148)	-	(4,135,148)	-	
Depreciation	(15,360,051)	(3,307,000)	(12,053,051)	364.5	
Finance costs	(14,263)	-	(14,263)	-	
Debt impairment	(3,080,776)	(4,248,000)	1,167,224	(27.5)	
Collection costs	(141,581)	-	(141,581)	-	
Repairs and maintenance - General	(10,180,741)	(8,589,000)	(1,591,741)	18.5	
Bulk purchases	(7,269,436)	(7,586,000)	316,564	(4.2)	
Contracted Services	(9,431,845)	(10,278,000)	846,155	(8.2)	
Grants and subsidies paid	(5,788,967)	(7,944,000)	2,155,033	(27.1)	
General Expenses	(16,409,766)	(18,213,000)	1,803,234	(9.9)	
	(109,345,377)	(103,492,000)	(5,853,377)	5.7	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(60,367)	-	(60,367)	-	
Impairment (loss)/Reversal of impairment loss	-	-	-	-	
Gain or loss on disposal of non-current assets held for sale or disposal groups	624	-	624	-	
	(59,743)	-	(59,743)	-	
Net surplus/ (deficit) for the year					
	47,292,263	3,948,000	43,344,263	,097.9	

Mandeni Municipality
Unaudited Appendix E(2)

June 2012

**Budget Analysis of Capital Expenditure as at 30 June
2012**

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Planning and Development/Economic	11,477,555	27,000,000	15,522,445	57	
Development/Plan					
Road Transport/Roads	29,224,018	21,152,000	(8,072,018)	(38)	
Other/Air Transport	714,027	7,558,505	6,844,478	91	
	41,415,600	55,710,505	14,294,905	26	
Municipal Owned Entities					
	41	-	(41)	-	
Other charges					

Mandeni Municipality
Unaudited Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld						Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Jun	Sep	Dec	Mar	Jun				
FMG	National Treasury	1,450,000	-	-	-	-	362,500	362,500	365,200	362,500	-	-	-	-	-	-	Yes			
Local Govt, Support	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
MAP	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Library Grant	DPT Art & culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
NDGP	National Treasury	12,000,000	-	15,000,000	-	-	5,262,660	55,982,637	3,363,728	1,564,101	-	-	-	-	-	-	Yes			
MSIG	Nationa Treasury	790,000	-	-	-	-	408,311	33,692	124,620	166,676	-	-	-	-	-	-	Yes			
Corridor Beach Facility	Ilembe Dstr.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Corridor Sgared service	Ilembe Dstr.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Housing	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
MIG	National Treasury	7,831,000	8,098,000	-	5,223,000	-	1,493,428	4,840,804	4,017,599	7,191,856	-	-	-	-	-	-	Yes			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
		22,071,000	8,098,000	15,000,000	5,223,000	-	7,526,899	61,219,633	7,871,147	9,285,133	-	-	-	-	-	-				

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Mandeni Municipality
Unaudited Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld						Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Jun	Sep	Dec	Mar	Jun				
FMG	National Treasury	1,450,000	-	-	-	-	362,500	362,500	365,200	362,500	-	-	-	-	-	-	Yes			
Local Govt, Support	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
MAP	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Library Grant	DPT Art & culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
NDGP	National Treasury	12,000,000	-	15,000,000	-	-	5,262,660	55,982,637	3,363,728	1,564,101	-	-	-	-	-	-	Yes			
MSIG	National Treasury	790,000	-	-	-	-	408,311	33,692	124,620	166,676	-	-	-	-	-	-	Yes			
Corridor Beach Facility	Ilembe Dstr.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Corridor Sgared service	Ilembe Dstr.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
Housing	Provincial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
MIG	National Treasury	7,831,000	8,098,000	-	5,223,000	-	1,493,428	4,840,804	4,017,599	7,191,856	-	-	-	-	-	-	Yes			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
		22,071,000	8,098,000	15,000,000	5,223,000	-	7,526,899	61,219,633	7,871,147	9,285,133	-	-	-	-	-	-				

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.